

Mehta Decl.

Exhibit N



BRASH AND OUTSPOKEN, TRON FOUNDER JUSTIN SUN HAS ALWAYS BEEN A CONTROVERSIAL FIGURE IN CRYPTO.

MORE AUDACIOUS THAN HIS REPUTATION, SUN HAS AN EVEN RISKIER APPROACH TO U.S. AND CHINESE FINANCIAL REGULATIONS – AND IS OFTEN TRYING TO EVADE THEM.

WILL HIS RULE BENDING AND DANGEROUS BEHAVIOR FINALLY CATCH UP TO HIM? OR WILL HE GET AWAY ONCE AGAIN?

THE MANY ESCAPES OF JUSTIN SUN

JUSTIN SUN, a budding Chinese cryptocurrency mogul, walked through the shiny lofty atrium of the departure terminal at South Korea's Incheon International Airport. It was September 2017, an early height of the crypto craze, and Sun had every reason to be nervous after his first ICO. An ICO, or initial coin offering, is like an initial public offering for a new stock. It's the first time cryptocurrency traders have the opportunity to buy a brand-new token. But Sun wasn't anxious about the money he stood to gain if it took off or what he'd lose if the token flopped. In fact, his company, Tron, introduced a coin called TRX — a huge success, selling out quickly for \$70 million. The problem for Sun was that the Chinese government, just days before, had banned ICOs entirely.

The state claimed ICOs were vehicles for financial fraud, pyramid schemes, and other illegal and criminal activities — a credible claim because, in 2017, hundreds of new and highly dubious cryptocurrency tokens were being introduced. People buy into initial coin offerings for all sorts of reasons: sometimes because the coin's underlying blockchain technology is promising, or sometimes because they're speculating that a cryptocurrency's value might rise astronomically over time, like Bitcoin has.

But in many cases, the coin founders immediately sold all the tokens they held for a vast sum of money, crashing its value in the process and every other buyer's investment. These were "exit scams" or "pump-and-dumps," and all told, they bilked crypto buyers for billions of dollars. People were swindled so frequently the United States Securities and Exchange Commission could barely file charges fast enough. The Chinese government's ICO ban was why, a week later, Sun was waiting for a flight in Incheon International Airport. Sources who heard him tell this story say Justin believed he was a fugitive and was ready to take off at a moment's notice.

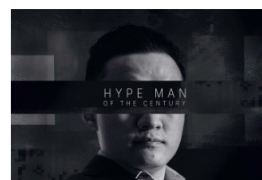
Sun's true escape route from Beijing to Seoul remains cloaked in rumor. But the reason for his getaway was simple: he likely knew the ICO ban was coming and went through with it anyway. Sun pushed TRX to finish its token sale the day before the ban was announced. Sun had been tipped off by Changpeng "CZ" Zhao, the founder and CEO of Binance, one of the world's busiest cryptocurrency exchanges.

"They were in it together," a former employee told me.

Allegedly, Zhao learned of the impending government ban from his own connections. But at some point after the ICO ban, Zhao made clear his relationship with Justin Sun was not personal, saying, "We have only talked business and haven't really 'hung out' in any way." But as recently as 2019, Zhao and Sun vacationed together on the shores of Lake Geneva. Over social media, they gave the impression it was a business trip.

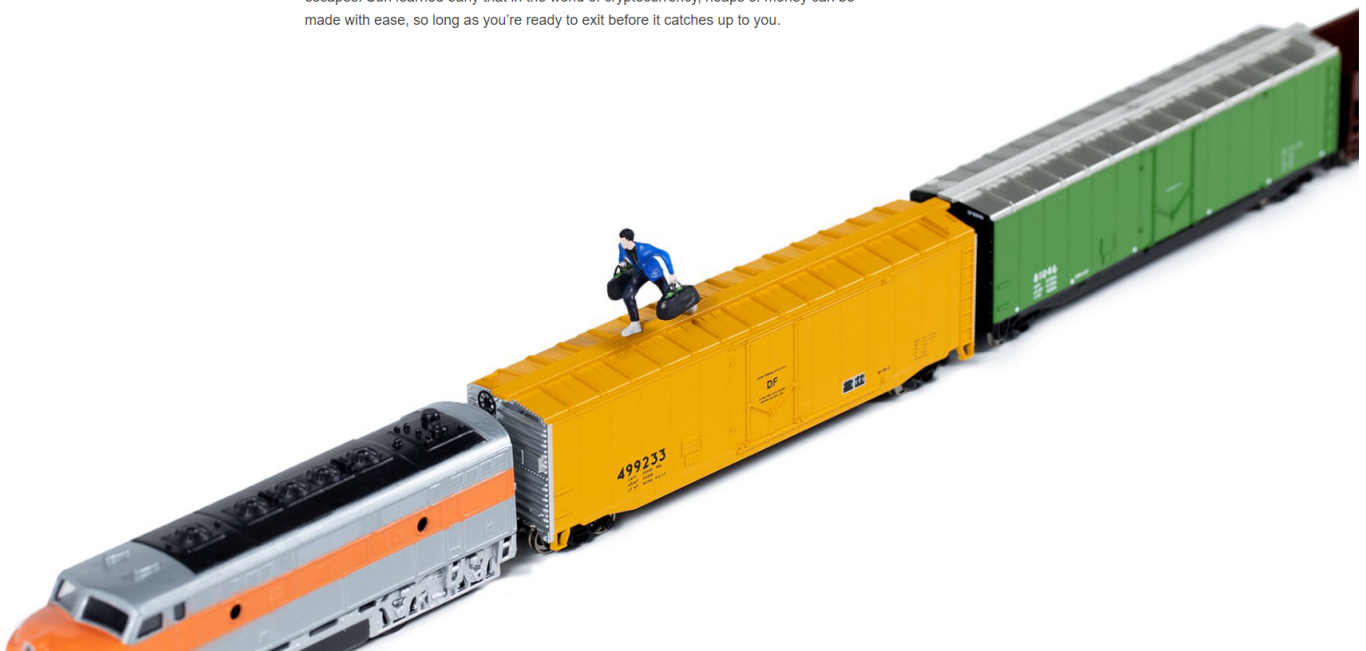
(Changpeng Zhao did not respond to a request for comment.)

At 4PM in Seoul, Sun boarded his flight, and aircraft marshals waved the Korean Air plane across the tarmac. It pivoted its sky blue fuselage onto the runway, the jet engines blasted, and Sun was airborne. He was bound for San Francisco, completing the first of his many escapes. Sun learned early that in the world of cryptocurrency, heaps of money can be made with ease, so long as you're ready to exit before it catches up to you.



Hype man of the century

Previously, Chris Harland-Dunaway reported on Justin Sun's acquisition of BitTorrent — and how the crypto mogul turned it into a self-promotion machine for himself. [Read the story.](#)



“I WAS KIND OF SCARED,” THE FORMER EMPLOYEE TOLD ME. “HE WAS DOING THE SO-CALLED MARKET MAKING, INSIDER TRADING ALL THE TIME.”

FOR this story, 15 sources spoke to me on the condition their names be withheld because they fear retaliation from Justin Sun. They are current and former employees of Sun’s various ventures across his cryptocurrency empire, in China and the US. One source has firsthand knowledge of Sun’s businesses for other reasons. This story also relies on hundreds of pages of internal Tron documents that were leaked to me. They shed light on Sun and his company’s financial dealings. Over the course of reporting this story, more than one person believed that talking to me might put their lives at risk.

Despite repeated requests, Sun never agreed to answer any questions. The law firm that is litigation counsel for Sun’s companies, Harder LLP, responded with the statement: “This story is yet another attempt by Mr. Harland-Dunaway to impair the reputation of Justin Sun. Polonlex and BitTorrent will not dignify these allegations with a response.”

I also revisited 18 current and former employees from BitTorrent and Tron who spoke to me during [my earlier reporting on Justin Sun for The Verge](#). Together, those accounts depicted a man desperately thirsty for success, with seemingly limitless energy, little to no empathy for his employees, who pursued hype tactics and technology that ran afoul of the US-China trade war. But that story didn’t delve into the cryptocurrencies that underpin Sun’s empire.

So I began following his money.



SUN hid in a high-rise apartment in San Francisco, afraid of returning to face Chinese authorities, especially if he fled because of the ICO ban. After a few months, the value of Tron’s token, TRX, had skyrocketed. Sun began putting his newfound riches to use. He transferred millions of dollars to his United States bank account through a company in Hong Kong called Davidyo Limited, some of which he used to buy a GMC Denali he apparently fancied after seeing it on *House of Cards*. Months later, Sun showed up at the downtown headquarters of BitTorrent in San Francisco to talk business in his Gucci sneakers. He proposed buying the ailing company, whose software focuses on decentralized file sharing. For \$140 million, he emerged with one of the most recognizable worldwide brands in peer-to-peer sharing technology.

The tale of Sun’s escape became well-known in San Francisco’s Tron office. In his telling, it was an anti-communist sob story about a businessman escaping China to fulfill his God-given capitalist ambitions. A former employee said they’d often get a message when Sun emotionally retold the story at Tron: “Justin cried again.”

But suddenly, Sun seemed intent on putting a Chinese imprint on the company. He decided to consummate the marriage between BitTorrent and Tron with a summit meeting at Tron’s Beijing headquarters. It was his first return to China employees had heard of. After months of ducking Chinese authorities, Sun apparently now felt safe there.

BitTorrent’s C-suite executives, just in from San Francisco, were ferried from Hotel Shangri-La in Beijing to a coworking space and led into a glass-enclosed conference room. Sun took the head of the table and read a typed speech, calling himself “Chairman Mao,” telling the C-suite executives they were “his generals” and that, together, they would massacre their competition. “People were feeling uncomfortable and incredulous at the euphemisms and metaphors,” a person who was present said. When Sun finished, BitTorrent’s CEO made a key observation: “Weren’t all of Mao’s generals killed?” To which Sun supposedly confirmed, “Yes, yes.”

“FAKE THE KYC!” HE SCREAMED AT ONE MEETING. “FAKE IT!”





The C-suite executives split up for meetings with different departments at Tron's Beijing office. BitTorrent's chief financial officer, Dipak Joshi, returned from his meeting looking shaken. "Dipak seemed very concerned about what he was learning," a former employee said. When Joshi returned to San Francisco, he confided to another employee about what he thought Sun's Chinese office was doing. "He told me they were running an insider trading team in Beijing."

The "market-making team" was led by a technocratic, reserved man with thin-framed glasses named Baolong Xu. One day, Xu went to lunch at a nearby restaurant that serves traditional Chinese seafood with a former employee. They were eating a stewed freshwater fish called crucian when Xu began explaining his job was "to make sure the TRX price is at some level Justin wants." Over the course of his explanation, Xu explained that Sun directed them to buy TRX when his team knew that Tron was planning to announce good news to the public. After Tron made the announcement, the token's value shot up, and they sold at a major profit. "I was kind of scared," the former employee told me. "He was doing the so-called market making, insider trading all the time."

When another former employee asked Sun's top lieutenant in Beijing what "market making" meant, he chuckled and said, "You know how the Chinese folks do it, right?" He apparently explained that the market-making team's job was to work with "whales" who were wealthy cryptocurrency spenders outside of Tron. "We have a way to pump the price [of TRX]," he said. "You know those folks that have a lot of money and don't have a lot of brains? You can influence them to do whatever you want them to do." The team's operations had ventured into the realm of what was essentially wholesale market manipulation.

(Tron and Bittorrent did not respond to a request for comment.)

When Dipak Joshi, BitTorrent's chief financial officer, returned to San Francisco from the Beijing summit, he spoke to another worker about the possibility of illegal activities in Beijing. The former employee admitted to me, "I'm not a law expert, but I definitely know that this isn't good." Joshi and the other employee decided they would be safest if they removed themselves as much as possible from work on TRX and actively ignored discussions of cryptocurrency. "To not know. To not engage," the former employee said. I asked them if that's because cryptocurrency fell into a gray area of the law. "Yeah. I would say black. A black area."

(Dipak Joshi declined to comment.)

I spoke to three lawyers who are experts on the intersection of financial law and cryptocurrency and a former regulator for the Financial Industry Regulatory Authority about insider trading law and cryptocurrency. Their opinion on whether insider trading law applies to crypto: "a case *can be* made." They also all agreed, emphatically, that Tron's Beijing market-making team appeared to be using "material nonpublic information" to make trades. The US Securities and Exchange Act explicitly forbids trading using "material nonpublic information" as an unfair advantage, and the maximum penalty is a 20-year prison sentence.

Sun was flirting with a grave financial transgression in the United States. But unlike China, where authorities have a clear record of arbitrarily detaining businessmen, the United States has a slow-churning judicial rule of law, which offered Sun a different kind of escape hatch: legal arguments.

Insider trading prohibitions apply to financial products called securities. A "security" is an old-fashioned 1930s term for an investment — stocks or bonds, for example. The government regulates securities because they can easily be exploited by well-connected whisper networks to make enormous riches while conning the public out of fair market conditions. The multi-billion-dollar question is whether most cryptocurrencies are securities or not. It depends on a case-by-case basis. But if a crypto token qualifies as a security, insider trading law applies.

Sun faced a second major danger. If a cryptocurrency qualifies as a security: it *must* be registered with the Security and Exchange Commission (SEC). Registering means crypto firms open their accounting books for inspection and make public disclosures about their

performance. Selling "unregistered" securities is a crime, punishable by up to five years in prison in the US. Nevertheless, a huge number of blockchain companies have rushed cryptocurrencies to ICO without registering them with the SEC. So far, the SEC has quietly negotiated numerous settlements with cryptocurrency businesses and even charged company executives with selling unregistered securities.

Whatever the conclusion of this lawyerly debate over crypto, Sun embarked on an obsessive quest to secure Tron's lawful legitimacy. He began approaching lawyer after lawyer after lawyer to find legal opinions that could protect his cryptocurrency businesses. He knew his path to riches in the United States was littered with legal pitfalls to dodge.

Since the SEC was the watchdog that might bite at Sun's heels, it made sense when a former employee heard him muse in a meeting, "You know what would be amazing? If we had somebody from the SEC be part of the company." Sun zeroed in on David Labhart, a lawyer and eight-year veteran of the SEC's compliance division. He could be Tron's chief compliance officer.



During his interview with Sun, Labhart proposed completely revamping the compliance process at Tron, working directly with BitTorrent's legal counsel to ensure everything at Tron was legally compliant. Unsurprisingly, the former regulator was thinking like a regulator. Sun listened. "Justin was very iffy about that," a former employee said, and Sun countered Labhart: "Justin was trying to pitch to him that he wanted [Labhart] specifically for proving that TRX is not a security, but a utility token." (A legal expert on securities told me there was no reason to believe the "utility token" argument was valid anyway and that there's no judicial opinion that describes tokens this way.)

The former employee described Labhart's puzzled expression as, "*Are you kidding? I'm from the SEC.*" The conversation stalled. Then, "Justin asserted his dominance and was like, 'I'm the boss, and you'll be working under me, and these are my needs.'" Despite his apparent concerns, Labhart signed the contract.

After hiring Labhart, Sun seemed emboldened. Within days, he made another initial coin offering. ICOs aren't banned in the United States like they are in China. The new one was BitTorrent Token, or BTT. A former employee who was generally effusive about Sun explained that when he acquired BitTorrent, it came with upwards of 100 million active users. Issuing a coin would be incredibly lucrative, a "kind of a no-brainer." A former employee told me Labhart was considerably less understanding. At the time, the SEC provided little to no legal guidance on how to do an initial coin offering that wasn't selling a security. It was fuzzy and, according to Labhart, incredibly risky.

Sun supposedly wanted Labhart to write a legal opinion to protect him if he were later charged for selling unregistered securities and "avoid liability," a former employee explained. Apparently, Labhart refused. Then Sun announced the company would dole out BTT to the public for free — a so-called "airdrop." These crypto giveaways are a kind of marketing ploy, which is also dangerous because it looks like marketing for an investment opportunity — a security. "I think that was the straw that broke [Labhart's] back." He resigned.

"Justin would be in trouble, but he didn't care," a former employee believed. Sun ordered the office in China to carry out the airdrop instead.

David Labhart declined to comment.

Sun was still exposed. He apparently fumed after trying and failing to get BitTorrent's general counsel to write a finding to protect his kingmaking token, TRX, from securities law regulation. "In the end, they got somebody — a lawyer from Hong Kong — to write a finding that TRX is a utility." The former employee was puzzled by the idea. "Can we do that? Hong Kong? Are you sure? Doesn't really make sense," they remembered saying. Leaders in the Beijing office assured them it would be fine. The former employee never learned the identity of the Hong Kong lawyer, and it's unclear if they even had a license to practice law anywhere in the United States.

One of the crypto-finance lawyers I talked to warned, "Business execs should never go lawyer to lawyer until they get a 'yes.' You're not looking for counsel — you're looking for a yes man." Sun was often able to find them at his companies, and as his business decisions became more risky, few resisted the way Labhart did. It seemed as though Sun believed that counsel were disposable, like he could afford to leave them behind, tarred by the acts they unwittingly facilitated, while he kept his eye on the pathway out.

SUN made a radical change in his crypto empire when he bought a cryptocurrency exchange called Poloniex. Crypto exchanges function like stock exchanges, but instead list tokens. They are cryptocurrency's white-knuckled marketplaces.

Poloniex — or "Polo," as enthusiasts called it — was an incredibly popular and incredibly risky place to trade crypto, held together by what some employees called "duct tape" code. "Polo used to be shitcoin casino numero uno," a former employee said. "It would list everything." That is, the exchange listed tokens of unbelievably tenuous legitimacy ("shitcoins"). The trading community was ruthless. "People would constantly do pump-and-dumps on it. It was just, like, completely Wild West," a former employee said.

In 2018, Poloniex was purchased by a crypto-finance firm called Circle, which sought to purge illicit activity from the exchange and transform it into something approaching the Nasdaq stock exchange, but for crypto. They enforced new "know-your-customer" rules, or KYC, which are often set by governments but also written by companies to proactively prevent fraud on their platforms. This usually meant asking users for government-issued ID cards. KYC information is often checked against databases of known criminals who are banned from the international financial system, but as it turned out: Poloniex's prior lack of customer scrutiny was what made it so appealing in the first place. Once KYC was enforced, trading volume plummeted.

Sun's new ownership was revealed during a company all-hands when he slipped out of a sliding side door. "It was pretty gangster," one employee said. Sun planned to take Poloniex back to its earlier gray-area infamy, and some employees were eager to get back aboard "the Polo pirate ship."

Sun moved Poloniex to the Seychelles islands. The archipelago has few regulations for cryptocurrency exchanges. The fact that roughly 50 to 70 Poloniex employees were headquartered on High Street in downtown Boston didn't matter. The Bostonians were now employed by a blandly named company — Augustech, LLC — set up to provide "technology and IT services" to Poloniex Seychelles. "The corporate structure is like a Russian nesting doll of obfuscation," a former employee said. And it wasn't just confusing — employees said it also would be a pain in the ass for any customer who wished to sue Poloniex. They'd likely have to go to court in the Seychelles. The company reshuffle was carried out by Sun's new favorite lawyers, Fenwick & West, a blue chip firm that also represents Silicon Valley titans like Amazon, Google, and HP. Employees said Fenwick & West were now part of his retinue of personal lawyers. But according to a former employee, once Sun had his new law firm, he took even greater risks. For the former employee, the combination made Fenwick & West "the scariest lawyers I've ever met."

(Fenwick & West did not respond to a request for comment.)

Everywhere else at Poloniex, token listing requirement approvals slackened — a return to "YOLO Polo," as one employee described it. Sun also began impatiently bulldozing Poloniex's KYC rules, which were slowing Poloniex's user adoption in China to a crawl. A former employee said the logjam enraged Sun. "Fake the KYC!" he screamed at one meeting. "Fake it!"

To approve new customers as quickly as possible, Poloniex built an automated KYC system, but according to a former employee, it was permissive. It virtually rubber-stamped



government IDs of any kind, they explained. “Don’t matter if they submitted a pic of Daisy Duck.”

Sun also seemed to have found a completely different way to use Poloniex. As one former employee put it: “I think over time, he started to see all the possibilities of using Polo as more or less his personal bank.” But just one problem: all the money on the exchange belonged to the users.

**“JUSTIN’S TOLERANCE FOR RISK IS
ABSURDLY HIGH. LIKE, ABSURDLY HIGH.”**



It started with a project officially known as “Operation Couch Cushions.” Poloniex’s digital architecture was archaic and strangely programmed, so it became common for bits of money to get trapped in digital crevices of the old exchange, as though buried in the deep recesses of a sofa. Employees called traces of lost crypto “dust,” and eventually, engineers discovered a gold mine. Over the years, customers accidentally deposited Bitcoin to wallets only designed to accept a popular crypto called Tether. The Bitcoin was blocked out of the wallets, undelivered, in a kind of suspended animation. It was unrecoverable by users, seemingly forgotten for years.

By 2021, these slivers of Bitcoin, added together, were worth serious money. When Sun learned about the dust, he ordered engineers to gather it. Nearly every day, an engineer would find a new pocket of lost change. “You’d turn a rock over and find a million dollars,” a former employee said. After the rest of the company learned about the operation at an all-hands meeting, many people objected. They argued the money didn’t belong to the company.

When engineers finished searching, their ballpark estimate for the dust they found was roughly 300 bitcoin, or about \$20 million.

Gradually, employees involved in Operation Couch Cushions realized the Bitcoin would never become “alternative revenue” for Poloniex. According to current and former employees, they understood Justin Sun would take the Bitcoin personally. According to a former employee, Sun continually asked people involved with the project one question: “Where’s my 300 Bitcoin?”

Over the course of four hours, **in hundreds of transactions**, nearly all the Bitcoin dust was siphoned out of thousands of old Tether wallets. All told, it was 230 Bitcoin, or a little over \$10 million in today’s value.

All the dust **landed in an anonymous wallet**. Within half an hour, the no-name wallet transferred almost its entire haul into **one of Poloniex’s communal wallets**. Here, the dust’s trail is lost amidst flurries of Bitcoin being withdrawn and deposited by Poloniex users.

Standing back and looking at the blockchain transactions, former employees said that unfreezing and transferring massive amounts of Bitcoin dust in synchrony could only be executed with a script of code by Poloniex. By all indications, the day before the dust was

grabbed from thousands of wallets, these wallets had been disabled. In the unlikely event that thousands of users somehow organized themselves to selflessly give away their dust, the fact that the wallets were seemingly inaccessible would make it outright impossible.

One former employee pointed to a clause in Poloniex's terms and conditions that allows them to deduct a "dormancy fee." To them, it looked like the terms and conditions could have been changed to at least provide a policy cover to take the Bitcoin dust.

Despite Sun's demands for the Bitcoin, there was no obvious blockchain evidence he received it personally. Former employees explained that the Poloniex communal wallets have so much user money pumping through them 24/7 they incidentally obscure any money trail. But ultimately, the legal distinction between Sun himself or Poloniex taking the money may be moot. Andrew Verstein, a UCLA professor and lawyer specializing in cryptocurrency and financial crime, told me that because Sun is the sole owner of Poloniex, he would be responsible anyway. "It's definitely a crime to convert customer funds for personal use," Verstein said.

During interviews, not a single former employee believed Sun would be held personally accountable for his pattern of malfeasance. A majority seem to believe he exists beyond the fingertips of American law.

The legal murk in which cryptocurrency originally exploded is one reason Sun looks to be legally unassailable. Seemingly, long-standing securities statutes ought to apply to crypto in obvious ways, but some haven't been tested, like insider trading law. Some might even argue these are not new scenarios, and in some cases, cryptocurrency at large is just rehashing some of the same mistakes and scandals that begged for the financial laws the United States and many other countries have on the books.

One former Poloniex employee thought Sun had found a way to live in the liminal shadow of the law: "Justin's tolerance for risk is absurdly high. Like, absurdly high. And I don't know if it's because he knows more than I do, like he just believes fully in his bones that he's set up legally to protect himself."

It was during a meeting about a legally risky business decision that Sun hinted how he'd truly protect himself. A former employee was present. "What's the big deal?" Sun asked. "The worst thing may be that I will never come to the US anymore."

All along, it seems Sun had been paving another escape route.

Former employees told me Sun was fixated on one island nation. In 2018, Sun sent a Tron employee to a blockchain conference in Malta, where they joined a VIP party inside the presidential palace. Caviar and champagne were served beside a prodigious swimming pool with twinkling string lights overhead. There, surrounded by waiters, the mingling crypto glitterati, and business reporters, Tron's representative met Malta's then-president, Marie-Louise Coleiro Preca. The meeting was perfunctory, but she told Tron's emissary, "We welcome Tron's investment in the Maltese economy."

The next day, the Tron employee went to the offices of Malta's minister economy and industry, Silvio Schembri. They sat together in a conference room. The emissary's goal was to orchestrate a one-on-one meeting between Sun and the country's former prime minister, Joseph Muscat, who has been accused of corruption. At the preliminary meeting with Schembri, the finance minister said Sun "needed to invest first."

Sun invested — in secret. At the time, Malta was infamous for essentially selling citizenship to wealthy individuals around the world for approximately \$1 million, so long as they established residence on the island. The passport sale process is officially called "The Individual Investor Programme."

This program was widely criticized for being susceptible to corruption, including by the legendary Maltese journalist Daphne Caruana Galizia, who was later assassinated for her reporting.

(Malta's government did not respond to a request for comment. Silvio Schembri did not respond to a request for comment either.)

Sun started renting a lavender-blue flat in Malta, with white ornamental burglar bars over the windows on a narrow street in the resort town of Sliema. Maltese business registry records also show Sun set up a company called Tron Limited using his Chinese name, Yuchen Sun. But a source involved in the company's founding couldn't say whether it conducted any meaningful business. According to them, Sun made zero commercial investments that might have stimulated the Maltese economy.

Meanwhile, Sun wired thousands of dollars to lawyers assisting him with his citizenship application. According to a prominent Maltese immigration lawyer, an "individual investor" is "required to contribute at least €650,000 to Malta" in order to qualify for citizenship. It's unclear exactly how Sun made his contribution. Sun received his residency card for Malta, and in 2020, his Maltese company, Tron Limited, dissolved.

In some ways, Sun's Maltese citizenship isn't exceptional because he has other destinations he could escape to. He claimed in a court declaration that he is also a citizen of the Caribbean islands, Saint Kitts and Nevis. Another former employee told me Sun



dragged demand about intending to buy a passport from the small West African nation of Guinea-Bissau. But there was another more important secret about Sun's relationship with Malta. According to multiple Tron employees, Sun made *two additional* €50,000 "investments" in Malta. He had applied for citizenship for his father and mother.

Sun's desire to bring his parents along suggests Malta could be his final destination if he gets caught in the crosshairs of regulators in the US or China. The other nations he claims paper allegiance to seem to serve more fleeting interests. After all, if you don't live in a place, you don't owe it anything.

Sun is something of a connoisseur of bank accounts. When Sun said he would chase citizenship for Guinea-Bissau, he urged a worker to start opening bank accounts there if it worked out. In the United States alone, he controls at least 13. When he opened a checking account at First Republic Bank, he was vague about his occupation, saying he was a technology services provider, and told a former employee to never disclose his cryptocurrency work to bankers. He also told them that banks froze his money so frequently he needed to spread his fortune across numerous accounts. The employee believed Sun's bank account strategy was designed to avoid becoming ensnared in anti-money-laundering laws. For cryptocurrency moguls like Sun, cashing out vast sums of crypto can be an intractable problem. The traditional financial system has historically steered clear of cryptocurrency.

Many of Sun's bank accounts could just be waypoints for moving money. As a former employee who knew about Sun's banking speculated, "If he has to cash out all his cryptocurrencies, he has to do it outside both the US and China," where they're closely scrutinized or banned outright.

**"EVERY BILLIONAIRE, THAT'S ALL THEY THINK ABOUT:
TAX EVASION, TAX OPTIMIZATION."**



According to another former employee, Malta was not just a physical escape route but a monetary one. Citizens of Malta have access to banking throughout most of Europe. Allegedly, Sun urged an employee to submit applications to open eight bank accounts there. A potential explanation for Sun's excessive number of bank accounts came from a former close associate of Sun's, who told me he looks for ways to pay as little in taxes as possible. As one former employee succinctly put it, "He thought taxes were stupid." As the close associate of Sun's explained, "Every billionaire, that's all they think about: tax evasion, tax optimization."

Multiple former employees told me that Sun can never return to China. Sun dodged the ICO ban, and in the midst of the trade war, he ignored the Chinese authorities' attempts to contact him and demand he abandon a highly publicized lunch with Warren Buffet (to which he also invited President Trump). In retaliation, the Chinese authorities detained six senior Tron employees and tried to sully Sun's name in the press with corruption allegations.

It seems Sun then began making amends to Chinese officialdom. In China, many citizens are required to read communist writings inside a smartphone app called "Study Xi, Strong Nation," which is a pun in Chinese alluding to its intellectual father, Xi Jinping. It usually features doctrines of the communist party, but recently, the app published a piece about blockchain technology written by Justin Sun. His exact relationship with the Chinese authorities has been difficult to surmise, but he was recently appointed to an academic position at the Central Party School for the CCP to promote blockchain development. On the surface, it looks like Sun has made a strategic pivot back to China, possibly out of self-preservation.

The sudden turn in Sun's relationship with China seemed inexplicable. After all, the authorities had alleged he was corrupt. But there's evidence he may have reconnected with the Chinese authorities in secret. The strange story begins with a distressed phone call.

Not long after Sun first arrived in San Francisco, he disappeared for months and was completely incommunicado. Eventually, an employee got a hold of him and asked where he was. "I'm in the forest with this lama," he said. (The term "lama" is often reserved for Buddhist spiritual leaders.) "You can't be bothering me right now," Sun went on. "You can't understand what kind of pressure I'm under from 'leaders,' and a lot is on the line."

This didn't seem to be some wavy spiritual retreat attended by Silicon Valley tech founders. As the employee pushed Sun for more details, he started to crack, his voice filled with an assertive but desperate stress. "You don't understand. I'm a slave. My time is not my own time; my body is not my own." He kept repeating that he needed to please "leaders."



When Sun returned to San Francisco from his visit with the "lama," he ordered an employee to send two Google Fi phones as a favor to someone at a Beijing address. "Make sure this leader is taken care of and gets what he wants," he said. The recipient was called "Brother Rainbow."

An employee learned that Brother Rainbow wanted the Google Fi phone to read news normally censored by China's so-called "Great Firewall." The former employee insisted that Sun has a powerful Chinese contact who can protect him, and they think Brother Rainbow plays a part.

The Google Fi phones were sent to Brother Rainbow at an address, which, according to satellite images, is a residence within the so-called Zone 1 of Beijing — the ancient downtown widely known to be reserved for government officials and celebrities. Sometimes, second- and third-generation descendants of some of the highest-ranking Chinese Communist Party officials live there, some of whom were Chinese Communist Party founders alongside Chairman Mao.

Eventually, I obtained Brother Rainbow's phone number. The same number appears in a dark web database of hacked Chinese phone numbers and personal information and identifies the owner as Luo Dan. The phone number also matches Luo Dan's WeChat account, where he frequently posts articles about Buddhism and Chinese government visits to various provinces. In an interview with the party-aligned outlet *China Tibet*, Luo said he began his academic career as an adjunct professor and PhD in Tibetan Studies. Now, he is a government official, working as vice-chancellor of The Tibet Institute of Socialism. He has occasionally served as a diplomatic delegate for China on Tibet issues at the United Nations.

In a since-deleted post on Weibo, the Chinese equivalent to Twitter, an official from China's National Committee Consultative Congress said that Luo Dan is a special assistant to the Panchen Lama, the second holiest figure in Buddhism behind the Dalai Lama. But unlike the Dalai Lama, who lives in exile, the Panchen Lama was installed by the Chinese Communist Party and is influential in Beijing.

Part of Luo Dan's WeChat presence is defined by incessantly posting about the Panchen Lama's political appearances. While Luo Dan may be an access point to influence for Sun, it's unclear what Luo Dan has gained from the relationship, other than possibly two Google Fi phones he can read the news with.

I spent a week calling his number at the same time every day. It rang, but no one ever answered.



IF Sun truly curried favor with someone powerful inside the Chinese government who could protect him, he might have been wise to do so.

Just before Christmas, one former employee got a call from their apartment building's front desk. "The FBI are coming," they said. The former employee was shocked: "Wait, did you say the *FBI*, FBI?"

The former employee wasn't home, but about 10 minutes later, the FBI called. The agent on the other end arranged to meet them at a restaurant that serves dessert in New York's Koreatown. The former employee had a friend shadow them to the meeting in case it was a hoax by someone dangerous. The former employee stepped into the restaurant, bought a puff pastry, and sat down.

A man in a dark jacket and jeans walked in and held his wallet up to the employee at the front of the restaurant, allowing the billfold to fall open to reveal their identification. They waved him through, and he sat down at the former employee's table. He identified himself as an agent from the IRS. He said an FBI agent was also coming, but they were still looking for parking.

While they waited, the IRS agent told the former employee they were investigating Justin Sun but didn't really know what to look for. When the FBI agent finally arrived, they asked about all sorts of employees in the US and Beijing, about rumors of beautiful models who flew around the world with Sun and whether he did business transactions under the table. The former employee got the impression that agents were interested in potential tax evasion. They even called Sun an "IRS criminal," the former employee said. The agents handed over a letter asking the former employee to forward them information relevant to their investigation and listed a court date, remarking, "It sounds like you really want to help us." To which the former employee said, "Oh yeah, because I want to screw him." The agents, amused, said they had heard that before.

**WHEN PEOPLE SURROUNDING SUN LOST
TRACK OF RIGHT AND WRONG, IT MADE IT
EASY FOR HIM TO BLITHELY ESCAPE WITHOUT
CONSEQUENCE.**



Other employees who worked for Sun have received grand jury subpoenas. The prosecutor's office from the Southern District of New York, which normally handles financial crime on Wall Street, is searching for criminal evidence against Justin Sun.

The investigation is being led by the FBI. Sun has already retained a top-flight whitecollar defense lawyer named Telemachus Kasulis, who used to prosecute fraud for the US Attorney's office. (Kasulis did not respond to a request for comment.)

Meanwhile, a former attorney for the SEC has been tasked with shepherding employees through the grand jury subpoena process. A source close to the investigation predicted they will try to fend off the subpoenas. But that could be futile. As the source pointed out, any number of Sun's employees may already be cooperating with the government. "They've kept this close to the vest for a long time," they said.

As the dragnet closes in around Sun, the grand jury is exploring a long list of potential charges. According to the subpoena (one of which was shown to me), they are: wire fraud, conspiracy or intent to commit wire fraud, swindling, money laundering, spending the spoils of a criminal enterprise, failure to register a security and lying about it, aiding and abetting a crime, and conspiracy to defraud the United States.

(The SEC, which prosecutes securities fraud, declined to comment. The IRS could neither confirm nor deny the existence of an investigation but welcomed tips on financial crimes. The FBI and US Attorney's Office for the Southern District of New York did not respond to requests for comment.)

Sun left the States right before the pandemic struck and has never returned.